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Sixteenth annual progress report on the implementation of the capital master plan

Report of the Secretary-General

Summary

The sixteenth annual progress report on the implementation of the capital master plan is submitted pursuant to section II, paragraph 34, of General Assembly resolution 57/292. The report provides an update on the status of the project since the issuance of the fifteenth annual progress report (A/72/294 and A/72/294/Corr.1).

The renovation of the Headquarters complex was substantially completed by September 2014 for the opening of the sixty-ninth session of the General Assembly, and all the buildings within the scope of the project were occupied and functional from that time.

From July 2015 until the time of preparation of the present report, the Office of Central Support Services continued with the implementation of post-renovation, commissioning and punch-list corrective activities and administrative tasks in support of the close-out of the project.

As at August 2017, all construction work for all scopes of the capital master plan project and its subcomponents, including the interim solutions and post-renovation activities, had been completed and achieved the status of final completion. In March 2018, all contracts were administratively closed out, including the reconciliation of accounts and payment of invoices, with the exception of some invoices subject to arbitration.

The cost of all construction and close-out activities has been met as planned from within the existing approved resources of the capital master plan project. The financial position of the project remains consistent with the projection presented in the fifteenth annual progress report.

The General Assembly is requested to take note of the present report and to request the Secretary-General to submit a seventeenth progress report at the main part of its seventy-fourth session.

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I. Project status

1. The capital master plan was the largest and most comprehensive construction and renovation project undertaken by the United Nations. The project met its objectives of honouring and preserving the original historic design of the Headquarters complex, while at the same time modernizing the facilities to meet current accessibility, safety, security and technological standards.

2. Planning for the capital master plan began in 1999, the Office of the Capital Master Plan was created in 2002 and the construction phase of the project spanned the period from 2008 to 2014.

3. In July 2015, the Office of the Capital Master Plan was closed and the responsibility for all remaining activities was assumed by the Office of Central Support Services.

4. The General Assembly requested the Secretary-General to submit annual reports on the progress, schedule, projected cost to completion and financial status of the capital master plan. The present report is the sixteenth such report to the Assembly.

5. Since the issuance of the fifteenth annual progress report (A/72/294 and A/72/294/Corr.1), progress has been made with respect to the administrative close-out activities, as outlined below.

6. The accounts associated with all 24 guaranteed maximum price contracts with the construction management company were reconciled and paid.

7. As at 31 July 2018, the final projected cost of the capital master plan remained at $2,150.4 million, in line with the approved resources (excluding the renovation of the Dag Hammarskjöld Library Building and the South Annex Building, in accordance with General Assembly resolution 69/274). More details in this respect are provided in section V of the present report. At the time of reporting, over 99.9 per cent of the funds had been expended.

8. The capital master plan project has maintained the overall schedule reported in table 1 of the fifteenth annual progress report. The final status of the schedule is presented in table 1 of the present report.

Table 1
Projected schedule of the capital master plan

	As set out in A/63/477		*As set out in A/64/346*		*As set out in A/65/511*		*As set out in A/66/527*		*As set out in A/67/350*		*As set out in A/68/352*		*As set out in A/69/360*		*As set out in A/70/343*		*As set out in A/71/409*		*As set out in A/72/294*		*As set out in the present report*		
Activity	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Status*
Construction of North Lawn Building	Early 2008	Mid-2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Completed
Secretariat Building	Early 2009	Early 2012	Late 2009	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Completed
Conference Building	Mid-2009	Mid-2011	Late 2009	Late 2011	Early 2010	Early 2012	Early 2010	Late 2012	Early 2010	Late 2012	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Completed
General Assembly Building	Mid-2011	Mid-2013	Late 2011	Late 2013	Early 2012	Late 2013	Early 2013	Mid-2014	Early 2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Completed
South Annex Building	Early 2011	Early 2012	Late 2011	Early 2013	Early 2012	Mid-2013	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	Suspended
Dag Hammarskjöld Library Building	Early 2012	Early 2013	Early 2013	Late 2013	Early 2012	Late 2013	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	Suspended
Completion of renovation of United Nations Headquarters	Early 2008	Mid-2013	Late 2008	Late 2013	Mid-2008	Late 2013	Mid-2008	Mid-2014	Mid-2008	Mid-2014	Mid-2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Completed
Closure of the Office of the Capital Master Plan and handover to the Office of Central Support Services													–	Mid-2015		Mid-2015		July 2015		July 2015		July 2015	Completed
Demolition of temporary North Lawn Conference Building													Early 2015	Late 2015	Late 2015	Late 2016	Late 2015	Mid-2016	Mid-2016	Mid-2016	Mid-2016	Mid-2016	Completed
Landscaping of North Lawn													Early 2015	Late 2015	Late 2015	Late 2016	Late 2015	Late 2016	Late 2016	Mid-2017	Late 2016	Mid-2017	Completed
Security-related work at 42nd and 48th Streets													Early 2015	Late 2016	Late 2015	Late 2016	Late 2015	Late 2016	Late 2016	Mid-2017	Late 2016	Mid-2017	Completed

II. Remaining activities

9. At the time of the submission of the present report, all construction work had been completed for all scopes and subcomponents of the capital master plan project and all invoices had been paid, with the exception of liabilities related to the two ongoing arbitration cases detailed in section VI of the present report.

III. Implementation of the recommendations of the Board of Auditors

10. The Board of Auditors continued its audit work following the issuance of the previous annual progress report. The Board conducted the audit of the capital master plan project for the financial year ended 31 December 2017 from 19 March to 13 April 2018.

11. At the time of the audit, the capital master plan was in its final phase after 16 years and an investment of $2,309.3 million. All construction works had been completed and all contracts had been administratively closed out, with the exception of payments relating to two arbitration cases.

12. The Board's main recommendations from the audit for the financial year ended 31 December 2017 were focused on four primary areas:

(a) Reviewing the methodology followed for the preparation of estimates for construction projects;

(b) Developing a business intelligence report for maintenance actions in the Umoja plant maintenance module;

(c) Maintaining an updated gift registry and carrying out an annual physical verification thereof;

(d) Conducting a comprehensive assessment of the maintenance costs for the recreational facilities donated by the International Olympic Committee and ensuring adequate arrangements for funding.

13. The Secretariat accepted all the recommendations of the Board and has committed itself to their full implementation. During its audit, the Board also closed four recommendations relating to prior audits. Twelve recommendations from prior years remain under implementation.

IV. Benefits of the capital master plan

14. The thirteenth, fourteenth and fifteenth progress reports included comprehensive information on the benefits that the capital master plan had delivered, in line with the relevant resolutions and the mandate from Member States.

15. The capital master plan addressed numerous deficiencies that had been left untreated and had accumulated over the years. The plan provided a newly renovated facility that is accessible to all individuals, energy efficient, free of hazardous materials and compliant with the building, fire and safety codes of the host city and that meets all reasonable, modern-day security requirements.

16. The fourteenth and fifteenth progress reports included additional details on the reduction in energy consumption and monetary savings. Updated data on energy consumption to the end of June 2018, with a projection for consumption from July to the end of December 2018, are provided in table 2.

Table 2
Comparison of energy consumption between 2006 and 2017 and estimate for 2018

		Usage (kBTU)[a]		
	Period	*Steam*	*Electricity*	***Total***
Pre-capital master plan (2006–2007)	2006	400 517 070	151 946 050	**552 463 120**
	2007	543 788 070	154 376 554	**698 164 624**
Post-capital master plan (2015)	2015	95 515 200	145 413 981	**240 929 181**
	Percentage reduction (2006 to 2015)	76	4	**56**
Post-capital master plan (2016)	2016	95 477 911	131 072 662	**226 550 573**
	Percentage reduction (2006 to 2016)	76	14	**59**
Post-capital master plan (2017)	2017	127 177 716	122 026 768	**249 204 484**
	Percentage reduction (2006 to 2017)	68	20	**55**
Post-capital master plan (2018)	January to June 2018	63 403 788	61 416 000	**124 819 788**
	Estimated from July to December 2018	63 043 200	60 733 600	**123 776 800**
	Total estimated in 2018	126 446 988	122 149 600	**248 596 588**
	Percentage reduction (2006 to 2018)	68	20	**55**

[a] Thousand British thermal units.

17. In 2015, following the implementation of the capital master plan, the total energy consumption of the Headquarters campus was reduced by more than 56 per cent compared with the total consumption in 2006 prior to the renovation. The projected reduction in energy consumption for 2018 is consistent with reductions achieved in 2016 and 2017.

18. With respect to monetary benefits and savings, there is no linear correlation between the reduction in energy consumption and cost savings, owing to increases in the unit costs of energy and the difference in the rates of electricity and steam.

19. Furthermore, while the newly renovated buildings require less overall maintenance and repair, the newly installed sophisticated systems and equipment require more frequent and costly servicing. In order to maintain the new systems, high levels of technical expertise are required, which the Secretariat does not possess in-house. There is, therefore, a need to retain the services of specialized commercial vendors. In addition, as stipulated in the vendor operations and maintenance manuals, the new systems require more robust and frequent maintenance checks on a regular basis, not only when there is a failure and/or malfunction.

20. Updated data on the costs and monetary savings are provided in table 3.

Table 3
Cost of utilities from 2006 to 2017 and estimates for 2018

(United States dollars)

Description	*2006–2007*	*2008–2009*	*2010–2011*	*2012–2013*	*2014–2015*	*2016–2017*	*2018 estimated*
Electricity	14 536 322	17 301 357	19 337 005	17 501 881	15 983 467	13 026 403	5 504 450
Steam	18 696 194	14 592 256	9 007 534	5 261 620	4 424 149	4 375 326	2 577 920
Water	2 604 228	2 010 285	1 815 000	1 186 000	1 232 292	1 169 277	688 620
Gas and other utilities	65 739	52 871	230 513	86 598	140 600	40 274	16 650
Total	**35 902 483**	**33 956 769**	**30 390 051**	**24 036 099**	**21 780 508**	**18 611 229**	**8 787 640**

21. The actual cost of all utilities (electricity, steam, water, gas and other) of the Headquarters complex in New York has been reduced by more than 48 per cent ($17.3 million) over the past six bienniums, from $35.9 million to $18.6 million, as shown in table 3. The cost is expected to be reduced further in the biennium 2018–2019, to about $17.6 million. Such additional savings of approximately $1 million represent an incremental 6 per cent reduction compared with the previous biennium and an overall reduction of 50.9 per cent compared with the biennium 2006–2007. However, it should be noted that variations in weather are among the main drivers of changes in utilities consumption, so caution should be exercised in making any extrapolations on future use.

V. Financial status of the capital master plan

A. Status of assessments and sources of funding for the capital master plan

22. The total approved funding for the capital master plan project amounts to $2,150.4 million, comprising appropriations for the original project scope of $1,876.7 million, donations of $14.3 million, interest income and the plan's working capital reserve, amounting to $159.4 million, and funding of $100.0 million for the enhanced security upgrades.

23. All approved funding in the amount of $2,150.4 million has been applied in full to the renovation activities so as to meet contractual obligations as they fall due for payment.

24. Table 4 compares the total approved funding for the capital master plan project with the expected cost for the completion of the project.

Table 4
Comparison of the funding for the capital master plan project and the expected cost to completion, as at 31 May 2018

(Millions of United States dollars)

Description	*Amount*	*References*
Total appropriations from 2004 to 2011	1 876.7	Resolutions 57/292, 59/295, 60/248, 60/256, 60/282, 61/251, 62/87 and 64/228
Voluntary contributions	14.3	Received under the capital master plan donations programme

Description	*Amount*	*References*
Use of interest income and the capital master plan working capital reserve	159.4	Resolutions 66/258, 67/246 and 68/247 A
Funding for the enhanced security upgrades	100.0	Contribution by the host country
Total funding available	**2 150.4**	
Project cost of original renovation (excluding Dag Hammarskjöld Library Building and the South Annex Building) and scope requested under the donations programme	2 050.4	
Cost of enhanced security upgrades	100.0	
Total project cost to completion	**2 150.4**	

B. Capital master plan project expenditure and requirements for the remaining project period

25. The estimated final cost of the capital master plan project remains unchanged, at $2,150.4 million. As at 31 July 2018, cumulative expenditure incurred amounted to $2,150.1 million, indicating that 99.9 per cent of the estimated cost to completion has been expended and committed. The latest status of the plan's expenditure and remaining requirements is summarized in table 5.

Table 5
Capital master plan project expenditure and requirements until completion, as at 31 July 2018

(Thousands of United States dollars)

	Expenditure	*Remaining requirements*	
Description	*From project inception to July 2018*	*From August 2018 to December 2019*	*Total*
Capital master plan project			
Design contractual services	168 828.5	–	168 828.5
Staff costs for the Office of the Capital Master Plan	33 806.0	–	33 806.0
Support staff costs	15 903.5	–	15 903.5
Operating and other costs	17 722.5	281.0	18 003.5
Programme management and other consultants	56 172.7	–	56 172.7
Construction and pre-construction	1 414 348.8	–	1 414 348.8
Swing space costs (including rent)	554 600.8	–	554 600.8
Subtotal	**2 261 382.8**	**281.0**	**2 261 663.8**
Prior-period adjustments	9 204.0	–	9 204.0
Adjusted project expenditure	**2 270 586.8**	**281.0**	**2 270 867.8**
Savings from cancellation of obligations	(220 484.8)	–	(220 484.8)
Subtotal	**2 050 102.0**	**281.0**	**2 050 383.0**
Enhanced security upgrade project	100 000.0	–	100 000.0
Total, capital master plan project expenditure	**2 150 102.0**	**281.0**	**2 150 383.0**

26. Table 5 shows that the estimated requirements for the project from August 2018 to December 2019 amount to $281,000, which is the projected cost of legal fees for the arbitration case.

27. The final cost of the residual work (demolition and landscaping, and security-related work at the 42nd and 48th Street entrances) is summarized in table 6.

Table 6
Cost breakdown of interim solutions and residual work
(United States dollars)

Description	*Estimated cost in 2015*	*Estimated cost in 2016*	*Actual cost in 2017*
Interim solutions			
Three new food services	5 000 000	4 300 000	3 600 000
Dag Hammarskjöld Library Building	4 000 000	3 100 000	2 800 000
Classrooms in the third basement area of the North Lawn Building	5 000 000	5 100 000	5 300 000
Subtotal, interim solutions	**14 000 000**	**12 500 000**	**11 700 000**
Residual work			
Demolition and landscaping	20 000 000	19 000 000	19 230 000
42nd and 48th Street entrances	15 000 000	17 100 000	18 050 000
Subtotal, residual work	**35 000 000**	**36 100 000**	**37 280 000**
Total	**49 000 000**	**48 600 000**	**48 980 000**

VI. Arbitration

28. The Organization is engaged in two arbitration proceedings with Skanska, the construction manager for the capital master plan. Each of the arbitration proceedings arose from claims filed against Skanska by a Skanska subcontractor.

29. The first arbitration arose as a result of an arbitration brought against Skanska by its electrical subcontractor, in which the subcontractor claims that it is owed tens of millions of dollars for the work it performed under several contracts with Skanska as part of the capital master plan. Although Skanska has denied the subcontractor's claims in their entirety, Skanska itself claims that if it were found to owe any additional sums to its subcontractor, the liability for such sums should be passed on to the United Nations. The United Nations disputes Skanska's characterization of its rights under the relevant contracts, and the dispute is currently before an arbitral panel, as required under such contracts. Formal proceedings before the arbitral tribunal are in early, pre-hearing stages and involve complicated procedural issues. The Office of Legal Affairs, with the assistance of outside counsel, is actively defending the interests of the Organization in this matter.

30. The second arbitration arose as a result of an arbitration brought against Skanska by its mechanical systems subcontractor, in which the subcontractor claims that it is owed in excess of $4 million for work it performed under contracts with Skanska as part of the capital master plan. Although Skanska has denied the subcontractor's claims, Skanska itself claims that if it were found to owe any additional sums to its subcontractor, the liability for such sums should be passed on to the United Nations. The United Nations disputes Skanska's characterization of its rights under the relevant contracts. Formal proceedings before the arbitral tribunal are still in

preliminary phases involving complex jurisdictional issues and the production of voluminous documentary evidence. The Office of Legal Affairs, with the assistance of outside counsel, is actively defending the interests of the Organization in this matter, including by seeking a ruling that the United Nations has no liability to Skanska for claims brought by Skanska's subcontractors.

VII. Associated costs and the secondary data centre

31. The overall associated cost expenditure amounts to $139.7 million. The cost of the secondary data centre amounts to $19.2 million.

32. The associated costs and the cost of the secondary data centre have been funded under the support account for peacekeeping operations ($4.2 million) and in accordance with section VIII, paragraph 16, of General Assembly resolution 69/274 ($154.7 million).

VIII. Consolidated expenditure and requirements

33. The final consolidated requirements of the capital master plan amount to $2,305.1 million, or $2,309.3 million if the portion funded by the support account for peacekeeping operations is taken into consideration. Details are provided in table 7.

Table 7
Consolidated expenditure as at 31 July 2018 and projected requirements until December 2019

(Millions of United States dollars)

Description	*From project inception to July 2018*	*From August 2018 to December 2019*	*Total*
Project costs			
Capital master plan project	2 050.1	0.3	2 050.4
Enhanced security upgrade	100.0	–	100.0
Subtotal	**2 150.1**	**0.3**	**2 150.4**
Non-project costs			
Associated costs	139.7	–	139.7
Secondary data centre	15.0	–	15.0
Subtotal	**154.7**	–	**154.7**
Consolidated total	**2 304.8**	**0.3**	**2 305.1**
Portion of secondary data centre funded from the support account for peacekeeping operations	4.2	–	4.2
Consolidated total, including portion funded from the support account for peacekeeping operations	**2 309.0**	**0.3**	**2 309.3**

34. Financial statements regarding the project activities and expenditure for the 2017 financial period were completed, consolidated and finalized in March 2018 by the Office of Programme Planning, Budget and Accounts, following established financial reporting processes, in compliance with the Financial Regulations and Rules of the United Nations. The financial close-out of the capital master plan project will be delayed due to the ongoing arbitration cases.

IX. Actions to be taken by the General Assembly

35. **The Secretary-General recommends that the General Assembly:**

(a) Note the progress made since the issuance of the fifteenth annual progress report;

(b) Request the Secretary-General to submit a seventeenth progress report on the project, which should include progress on the arbitration cases and the final cost, to the General Assembly at the main part of its seventy-fourth session.